

The Credit CARD Act (Public Law 111-24)

Last year, Rep. Holt helped pass the Credit CARD Act, legislation to end unfair practices of the credit card industry and provide protections for consumers facing excessive credit card fees, high interest rates, and incomprehensible agreements that companies can revise at will. In supporting the bill Holt said, “I have been inundated with calls and letters from constituents who rightly are outraged by sudden and arbitrary increases in their credit card interest rates. Their hard-earned taxpayer dollars were used to shore up financial institutions to prevent an economic collapse, and in return, some of the very same financial institutions turned right around and doubled the interest rate they charged their customers.” A video of Rep. Holt speaking on floor about the bill can be found [here](#).

On February 22, much of the law went into effect. Below is a summary of the law’s provisions, by enactment date:

- Prohibits arbitrary interest rate increases and universal default on existing balances;
- Prohibits issuers from charging over-limit fees unless the cardholder elects to allow the issuer to complete over-limit transactions, and also limits over-limit fees on electing cardholders;
- Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;
- Prohibits issuers from setting early morning deadlines for credit card payments;
- Prohibits interest charges on debt paid on time (double-cycle billing ban);
- Requires issuers extending credit to young consumers under the age of 21 to obtain an application that contains: the signature of a parent, guardian, or other individual 21 years or older who will take responsibility for the debt; or proof that the applicant has an independent means of repaying any credit extended;
- Protects recipients of gift cards by requiring all gift cards to have at least a five-year life span, and eliminates the practice of declining values and hidden fees for those cards not used within a reasonable period of time.

August 20, 2009—already took effect

- Provide increased written notice to consumers of any increases in the interest rate or otherwise makes a significant change to the terms of a credit card account;
- Inform consumers of their right to cancel the card before the rate hike goes into effect;

- Send statements to consumers 21 days before the due date of any payments.

Will Become Effective August 22, 2010

- Requires penalty fees to be reasonable and proportional to the omission or violation.
- Requires that creditors periodically review all interest rate increases since January 2009 and reduce rates when a review indicates that a reduction is warranted.
- Amends the Electronic Fund Transfer Act to limit dormancy, inactivity, and service fees associated with gift cards.